



FREDERICK COUNTY INTERNAL AUDIT DEPARTMENT

Follow-up Review of Frederick County (MD) Citizens Nursing Home Accounts Receivables, (Issued June 22, 2004)

Background: The Frederick County Citizens Nursing Home (CNH) is a 170-bed capacity resident care facility that opened in 1976 for Medicaid, Medicare, private pay, privately insured and hospice residents requiring skilled nursing care. In recent years, recurring turnover in the Administrator position has contributed to numerous issues arising concerning the facility's failure to meet maintenance and health standards. As a result, CNH Business Office operations have suffered from lack of adequate management oversight. Recent consultant assistance and the naming of a new CNH Administrator have resulted in better financial management.

Audit Scope: The scope of this audit was to review charges, billings, collections and their classification in the CNH accounts receivable system for the period January 1, 2003 through December 31, 2003.

Audit Objectives:

- Resident charges were accurate and eligible for reimbursement.
- Charges were accurately billed to Medicaid, Medicare, private insurers or the resident guarantor.
- Procedures were in place and executed to collect eligible claims.
- Receipts were properly recorded and deposited.
- Charges, billings and collections were accurately classified and recorded in the accounts receivable system.

Findings:

- The CNH Business Office did not have documented standard operating procedures (SOPs).
- Management oversight of the collection process was inconsistent resulting in the loss of over \$408,000 in revenues for the services provided in the period 1994-2003. Of these losses, 50% were for receivables written off as uncollectible for the period July 1, 2000 through June 30, 2003.
- Billings to Medicaid and Medicare had not been done within statutory deadlines resulting in the loss of almost \$100,000.

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Recommendations:

- CNH should continue to develop written standard operating procedures for the Business Office to minimize errors and omissions in their financial management.
- CNH management should monitor billings closely to assure that services provided are matched to realized revenues.
- CNH management should continue to continue to monitor collection efforts closely to minimize account write offs.